MINISTRY OF PARIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) and (b) As per the Status Report on India's External Debt, the debt service as percentage of current receipts has jumped from 10.2 per-cent (excluding defence) in 1980-81 to 30.4 per cent (including defence) in 1992-93. Government is conscious about the country's external debt liability and keeps a constant watch on the level of country's indebtedness and likely burden of debt servicing. While contracting foreign loans, it is always kept in view that the debt burden and the debt servicing liability of the country does not exceed the capacity of the economy to service such loans. Government has already inrroduced a programme of economic reforms aimed at short term stabilisation combined with lonegr term restrucuring. These reforms would improve the economic condition of the country and revitalise our growth pocess, including our export earning capacity.

ceiling on corporation tax

528. SHRI SARADA MOHANTY: Will the Minister of FINANCE be plsased to state:

(a) whether it is a fact that Chelliah Committee had suggested 40 per cent tax ceiling on corporation tax and the Finance Minister has promissed to fulfill the recommendation;

(b) whether it is a fact that most of the developed and developing countries have less than 30 percent and 35 percent corporation tax;

(c) whether it is a fact that cut in corporation tax would increase revenue in long run and immediately boost secondary market.

(d) whether it is a fact that heavy dose of corporation tax is also due to heavy repayment and interests on foreign loans which were invested in loss making PSUs; and

(e) whether Government proposes to consider selling some of the PSUs on their shares to lessen the interest burden of foreign loans?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHARA MURTHY): (a) The Tax Reforms Committee, headed by RD. Raja J. Chelliah, in its Final Report had recommended that the rate of corporation tax for all domestic companies should be lowered to 40 per cent by 1994-95.

This recommendation is being examined amongst other recommendations.

(b) The rates of corporation tax differ from country to country. As per information available with us, they are 31 per cent in Singapore, 35 per cont in Malaysia and 30 per cent to 35 per cent in Thailand.

(c) There is nothing to suggest that a cut in corporation tax rate would invariably lead to increased tax collection..... ....

(d) The corporation tax is one source, among others, of Central Government revenues and there is no direct relationship between the corporate tax rates and different items of expenditure of the Government.

(e) There is no linkage between the sale of shares of PSUs and the management of external debt.

Reviewing of Centre State Financial Relations

529. SHRI DEBABRATA BISWAS: Will the Minister of FINANCE be pleased to state:.... ....

(a) whether it is fact that the IMF has advised for reveiwing and revising the Centre-State financial relations in order to effectively tackle the problem of budgetary deficit:

(b) if so, the details of the advice; and

(c) the reaction of Government thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AMED): (a) No, Sir.

(b) and (c) Do not arise.

World Bank Loan

530. SHRI KRISHAN KUMAR BIRLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government looked forward to continue support of the international financial institutions institutions like the World Bank to its economic reforms programme.

(b) if so, the details of the World Bank loan borrowed during the last three years;

(c) the projects for which World Bank loans was taken and under what terms and conditions;

(d) whether Government propose to take any steps to discontinue World Bank assistance in future; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED): (a) International Financial Institutions are not only giving project tied assistance but also balance of payments support to assist in our ecnomic reforms Programme. The Government will need to take BOP support from these institutions for a few more years untill the exceptional financing ap in its external payments jected support such as from the ected suppport such as rom the World Bank is concerned, this will be taken so long as there is necessary to bride the resource gap to finance variohs projects.

(b) and (c) Project wise details of the World Bank loan borrowed upto 1991-92 are contained in the Brochure on External Assistance, published by Ministry of Finance, a copy of which is placed in the library of the House. Details of the loans taken in 1992-93 are contained in the Statement (See below) As far as terms and conditions are concerned IBRD loans have a repayment period of 20 years, inclusive of 5 year grace period and the present interest rate is 7.43 per cent. ID. credits are interest free soft loans, repayable over 35 years with a moratorium of ten years.

(d) and (e) Government proposes ot increasingly reduced its reliance on exceptional financing support over the next few years including that from ths World Bank However continuation of projrct-tied assistance from the World Bank will depend on our mobilation of resources for respective projects.

Statement

Details of World Bank Loan/Credits during 1992-93*

Name of the Project	Loan Amount in US $ million
1. National Highway II .	306
2. Power Utilities efficiency .	265
3. Maharashtra Power .	3 5 0
4. Rubber Project . .	
5. ADP Rajasthan . .	106
6. Bihar Plateau . .	117
7. Jharia Mine Fire . .	12
8. Power Grid . . .	350
9. Renewable Resources Development . . .	150
10. ICDS II. . . .	19
11. Social Safety Net . .	500
TOTAL	2482